



China's Assistance and Government-Sponsored Investment Activities in Africa, Latin America, and Southeast Asia

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Summary

In recent years, the People's Republic of China (PRC) has bolstered its diplomatic presence and garnered international goodwill in the developing world through financing infrastructure and natural resource development projects, assisting in the execution of such projects, and backing PRC state enterprises in many developing countries. This report examines China's foreign assistance and government-supported, often-preferential investment ventures in three regions: Africa, Latin America (Western Hemisphere), and Southeast Asia. These activities often are collectively referred to as "economic assistance" by some analysts and in this report.

Much of China's "economic assistance" does not constitute "official development assistance" (ODA) as measured by the Organization for Economic Co-operation and Development (OECD) and as generally provided by members of the OECD. However, many activities have an aid component—they are secured through official bilateral agreements, promote development, and provide economic benefits to recipient countries that otherwise might not be made possible. Furthermore, they are not strictly commercial or do not result in foreign ownership of productive assets, and thus they do not qualify as foreign direct investment (FDI). In terms of development grants, the primary form of assistance provided by major aid donors, China is a relatively small source of global aid. However, when China's commercial and concessional loans, technical assistance, and state-sponsored or subsidized investments are included, the PRC becomes a major source of economic assistance.

This report is largely based upon research conducted in 2007-2008 by graduate students at the New York University Robert F. Wagner Graduate School of Public Service under the supervision of Wagner School faculty and CRS specialists. The students' findings, while not comprehensive, suggest a dramatic increase in PRC economic assistance and state-sponsored investment from 2002 through 2007. The numbers provided in this report are not meant to be interpreted as reliable foreign aid totals. Furthermore, some PRC loans or aid pledges may not have been fulfilled and some aid pledges that include multiple projects or that span several years may have been counted more than once.

According to the Wagner School research, during the 2002-2007 period, Africa received the greatest amount of loans and other economic assistance, followed by Latin America and Southeast Asia. The findings suggest that China's aid activities in Africa and Latin America serve the PRC's immediate economic interests, while those in Southeast Asia relate to longer term diplomatic or strategic objectives. In Africa and Southeast Asia, PRC-sponsored infrastructure and public works projects constitute the most common form of activity, while in Latin America, where some countries are more developed, Chinese natural resource development projects are more prominent. China is fast becoming a top trading partner with Africa and Southeast Asia, and it is second to the United States as a market for Latin American commodities and goods. Although the PRC's economic assistance activities are a highly visible reminder of China's growing diplomatic and economic influence, or "soft power," the European Union, the United States, and Japan continue to dominate foreign investment in Africa, Latin America, and Southeast Asia.

This report will not be updated.

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Introduction

This report examines China's "economic assistance"—a term that encompasses a mix of development aid, loans, technical assistance, and state-sponsored investments—in Africa, Latin America, and Southeast Asia.¹ In recent years, the People's Republic of China (PRC) has bolstered its diplomatic presence and economic influence, often referred to as "soft power," in the developing world.² China has garnered considerable international goodwill through financing infrastructure and natural resource development projects, assisting in the execution of such projects, and backing PRC state enterprise ventures in many developing countries.

Many observers have praised Chinese assistance and investment as filling unmet development needs, particularly in countries that have been relatively neglected by major bilateral and multilateral aid providers. Others have criticized China for not promoting democracy, equitable and sustainable development, and environmental preservation in these countries. Some U.S. policy-makers and others have expressed frustration that China's policy of providing economic assistance "without conditions" has undermined the ability of other aid donors to influence the behaviors of aid recipients in such areas as democracy, human rights, and economic reforms. Some observers have argued that Chinese financing has burdened some developing countries with too much debt. PRC officials have responded that they are contributing to basic development and suggest that they are taking a flexible, "long-term view" of recipient countries' abilities to repay loans.³

Measuring China's Foreign "Aid"

PRC foreign assistance is difficult to quantify. Still a developing country itself, China appears to administer foreign aid in an ad hoc fashion, without a centralized system, foreign aid agency and mission, or regularized funding schedule.⁴ Nor does Beijing publicly release foreign aid data. Some analysts surmise that the Chinese leadership is reluctant to be perceived as a major aid donor, since the PRC itself continues to be a recipient of foreign assistance and because the government fears that its citizens may object to lavish spending on economic projects abroad.

Estimates of China's foreign aid vary widely due to the lack of official data and to disparate definitions of aid. Broad characterizations, such as the one adopted in this report and referred to as "economic assistance," often include low-interest loans and PRC government-backed investments as well as grant-based development aid. A relatively small portion of Chinese economic assistance includes what typically is characterized as "official development assistance" (ODA) as provided by the world's major aid donors, such as development grants, poverty-

¹ This report is largely based upon research conducted in 2007-2008 by graduate students at the New York University Robert F. Wagner Graduate School of Public Service under the supervision of Wagner School faculty and CRS specialists.

² For a discussion of China's soft power, see CRS Report RL34620, *Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World*, section by Thomas Lum.

³ William Wallis, "China Buying an African 'Empire,'" *The Australian*, May 21, 2007; Barney Jopson, "China Pledges \$10 B in Loans to Africa," *CNN.com*, November 9, 2009.

⁴ Carol Lancaster, "The Chinese Aid System," Center for Global Development, June 2007, <http://www.cgdev.org>.

reduction programs, humanitarian assistance, and food aid.⁵ China also provides relatively little military and security-related assistance. Another important difference between China and major OECD aid donors is the level to which PRC economic assistance serves China's development needs, by facilitating the export of raw materials to China and often requiring that a significant portion of project materials and services are to be sourced in China.⁶ By contrast, the foreign aid programs of the United States and other OECD members, with some exceptions, involve fewer direct economic linkages.⁷

Beijing reportedly has taken some tentative steps toward making its foreign aid process more centralized and transparent, coordinating its programs with other aid providers, and offering more development-oriented assistance, while continuing to eschew the label of major ODA donor. The PRC has begun sending abroad "youth volunteers," similar to U.S. Peace Corps volunteers, engaged in teaching and training in such subjects as Chinese language and medicine, computer skills, agricultural technologies, and sports.⁸

Some analysts regard many of China's economic activities and investments abroad as "foreign aid" because they are sponsored, financed, or carried out by PRC government agencies or state enterprises on favorable terms and promote economic development in recipient countries. Other analysts do not consider such activities as foreign direct investment (FDI), because they are secured by diplomatic agreements, do not impose real financial risks upon the PRC companies involved, or do not result in Chinese ownership of foreign assets. (See **Table 1**.)

Table 1. Similarities and Differences between Official Development Assistance (ODA) and Chinese "Economic Assistance"

Government to Government	Financing through Development Agency	Strong Links to Donor Country Economy	Concessional or Favorable Lending Terms	Receives Payment of Debt in Kind	Grant Element of at Least 25%	Private or Corporate Financing
OECD Aid Donors ^a	yes ^b	yes	no	yes	no	yes
China ^c	yes	no ^d	yes ^e	yes	yes ^f	no

Sources: Penny Davies, "China and the End of Poverty in Africa," August 2007; "Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa," The World Bank, No. 5 (2008).

a. Based upon OECD definitions of aid.

b. Grants may be awarded to NGOs based in either the donor country or the recipient country.

⁵ One definition of ODA refers to "flows of official financing to developing countries provided by official agencies which have a clear development or anti-poverty purpose and are at least partially concessional in nature," with a grant element of at least 25%. *OECD Glossary of Statistical Terms*, <http://stats.oecd.org/glossary/index.htm>.

⁶ This portion can be upwards of 50% of the value of a given project.

⁷ Among OECD countries, Japan's history of ODA, with its relatively large loan component (from 60% in the mid-1990s to roughly 25% a decade later), emphasis on infrastructure projects, and links to its own economy, may come closest to providing a model for China's foreign assistance.

⁸ China reportedly has youth volunteers in 50 countries, mostly in Africa and Southeast Asia, and has begun to send volunteers to Latin America. The Chinese government has pledged to send 300 volunteers to Africa by 2009. "China to Send Youth Volunteers to Africa this Year," *The Ethiopian Herald*, February 17, 2007.

- c. Based upon broad definitions of aid and including state-sponsored investments.
- d. PRC assistance is provided largely in the form of concessional loans administered by the China Eximbank.
- e. Economic projects facilitate the export of natural resources and commodities to China and utilize PRC companies, materials, and labor.
- f. In some cases, recipients of Chinese economic assistance make payments on loans from China with oil or minerals.

Some analysts suggest that many estimates of China's foreign aid, in both PRC official publications and the scholarly literature in the West, do not capture the full extent of PRC economic assistance and related activities. The *China Statistical Yearbook 2003-06* released an annual aid figure of \$970 million. According to other sources, annual PRC foreign aid ranges from \$1.5 billion to \$2 billion.⁹ These figures would place China's aid levels alongside those of Australia, Belgium, or Denmark.¹⁰ In terms of official development assistance as measured by the OECD, U.S. ODA is the largest among OECD member countries, followed by Japan, the United Kingdom, France, and Germany. The United States' foreign operations budget (bilateral development; economic, security, and military assistance; multilateral assistance; and food aid) was estimated at \$24 billion in FY2008.¹¹

However, other analysts, applying broader definitions of foreign aid, consider PRC economic assistance activities and their impact to be far greater than that suggested by conventional measurements. According to their measurements, PRC development financing, technical assistance, and state-sponsored investments in Africa, Latin America, and Southeast Asia exceed officially reported ODA and FDI totals combined, suggesting that much of Chinese foreign economic activity is not accounted for in either conventional measurements of ODA or foreign investment. In 2006 and 2007, according to various sources citing PRC official statistics, China's annual FDI outflows totaled roughly \$21 billion annually, compared to \$216 billion for the United States.¹²

The NYU Wagner School research team tabulated PRC economic assistance—*promises* of financing, assistance, and government-sponsored investment projects—that had been reported in 62 African, Latin American, and Southeast Asian countries between 2001 and 2008. In 2007, the last full year for which such activities were examined, the students found that 66% of Chinese economic assistance was provided in the form of loans (concessional loans or credit lines), 29% represented state-sponsored investment, and the remaining 5% included grants, debt cancellation or debt relief, and in-kind aid.¹³

⁹ Lancaster, op. cit.; See also Phillip C. Saunders, "China's Global Activism: Strategy, Drivers, and Tools," Institute for National Strategic Studies, National Defense University, 2006.

¹⁰ Organization for Economic Co-operation and Development (OECD) data. See <http://www.globalissues.org/>.

¹¹ CRS Report RL34552, *State, Foreign Operations, and Related Programs: FY2009 Appropriations*, by Susan B. Epstein and Kennon H. Nakamura.

¹² CRS Report RL34620, *Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World*, op. cit., section by Dick Nanto; "Chinese Investment Pouring into Thailand's Neighbors," *The Nation (Thailand)*, December 4, 2007.

¹³ Because of the lack of official data, either from China or recipient countries, the Wagner School research team largely relied on the international press and scholarly research. Sources included allAfrica.com, the Economist Intelligence Unit (EIU), International Relations and Security Network, the PRC Ministry of Commerce, ReliefWeb (United Nations), Reuters, Xinhua, and other news agencies.

Although the Wagner School findings strongly indicate that China has been providing significant and growing amounts of economic assistance, if not ODA, to developing countries, the estimated totals should be interpreted with caution. Some reported values may be inflated: some loans represent offers or pledges that may not have been fulfilled;¹⁴ some projects may have been cancelled, while others involving several parts or taking several years to complete may have been counted more than once. Furthermore, some PRC investments included in the study may also qualify as FDI. In other ways, however, the findings may underestimate the value of PRC economic assistance, such as when projects or data have not been reported or when Chinese materials and labor have not been included.

The Impact of China's Economic Assistance

In addition to their actual monetary value, Chinese assistance and related economic activities often garner appreciation disproportionate to their size, for several reasons, including

- loans and investments often are made available relatively quickly and easily—without the political, economic, social, and environmental conditions and safeguards and bureaucratic procedures that major OECD aid donors, multilateral financial institutions, and multinational corporations typically impose;¹⁵
- China often promotes economic projects in countries, geographic areas, and sectors that developed-country governments and multinational corporations have avoided because they have determined them to be unfriendly, too arduous, or infeasible;
- many PRC-funded or -built public works in developing countries, such as national cultural centers, stadiums, and highways, are highly visible and provide tangible, short-term benefits; and
- Chinese economic and investment activities are often announced at bilateral summit meetings with great fanfare and are referred to by Chinese officials as “assistance,” powerfully symbolizing the friendship between China and other countries.

Major Findings

The NYU Wagner School findings that this report draws upon may serve as a basis for conducting further research and thinking about U.S. policy responses to China's growing foreign assistance and investment. They are not meant to be exhaustive; rather, they may suggest the broad contours and trajectory of Chinese economic assistance and related activities in Africa, Latin America, and Southeast Asia. The Wagner study suggests that:

- China's economic assistance and related investments are driven primarily by the PRC's need for natural resources and secondarily by diplomatic objectives, such as isolating Taiwan and garnering support in international organizations such as the United Nations. Beijing also aims to open up foreign markets for Chinese goods and

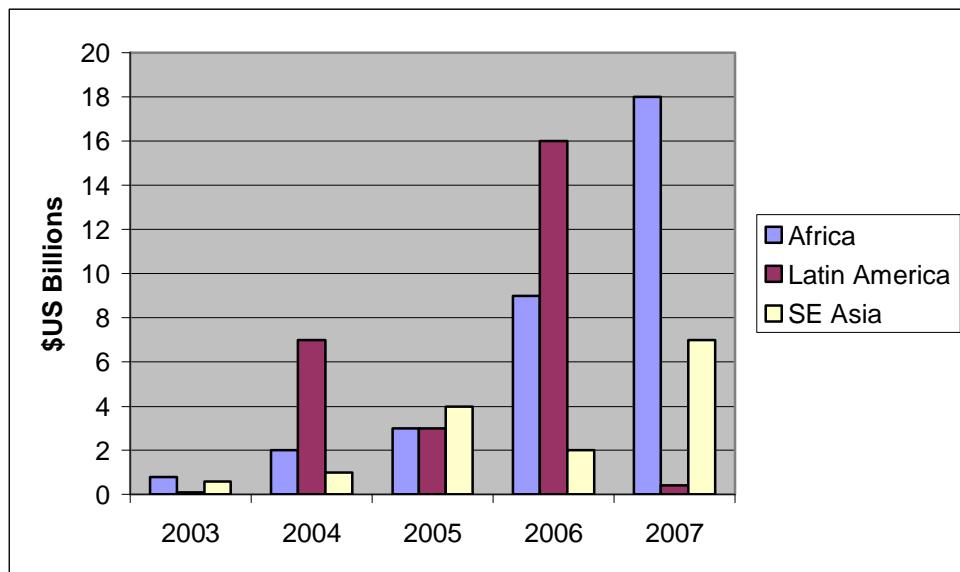
¹⁴ For example, very little (about \$141 million) of the \$7 billion in investment that China pledged to Brazil in 2004 has materialized. Andre Soliani, “Lula Seeks to Revive China Pledge with China Trip,” *Bloomberg.com*, May 17, 2009.

¹⁵ China's conditions on aid are often international rather than domestic—requiring aid recipients to support the “one-China” principle regarding Taiwan and China's agenda in the United Nations.

help PRC companies invest, set up manufacturing plants, and develop markets overseas.

- Unlike major OECD aid donors, China lacks a centralized aid agency affiliated with its foreign affairs ministry. PRC economic assistance consists largely of concessional loans administered by the Ministry of Commerce through its Department of Aid to Foreign Countries. To lesser extents, the Export-Import Bank of China (Eximbank), the Ministry of Finance, and the Ministry of Foreign Affairs also play roles.
- Although Chinese economic assistance to all three regions grew significantly during the 2002-2007 period, Africa received the largest year-on-year increases and showed the clearest growth trend. (See **Figure 1** and **Table 2**.)
- In terms of financing, PRC government-backed investments made up 53% of reported economic assistance activity, concessional loans constituted 42%, and grants and debt cancellations accounted for the remaining 5% during the 2002-2007 period. (See **Figure 2** and **Table 3**.)
- Of the loans, infrastructure projects, and other economic assistance provided by China to the three regions between 2002 and 2007, 44% was allocated to Africa, 36% to Latin America, and 20% to Southeast Asia. (See **Table 4**.)
- During the same period (2002-2007), 44.5% of economic assistance and investment was directed at the natural resources and agricultural sectors, while 43% supported infrastructure development. (See **Table 5**.)

Figure 1. Reported PRC Preferential Loans, Assistance, and Related State-Sponsored Investments (Economic Assistance) by Year and Region, 2003-2007



Source: NYU Wagner School, 2008.

Notes: Annual amounts represent announced or pledged rather than actual economic assistance.

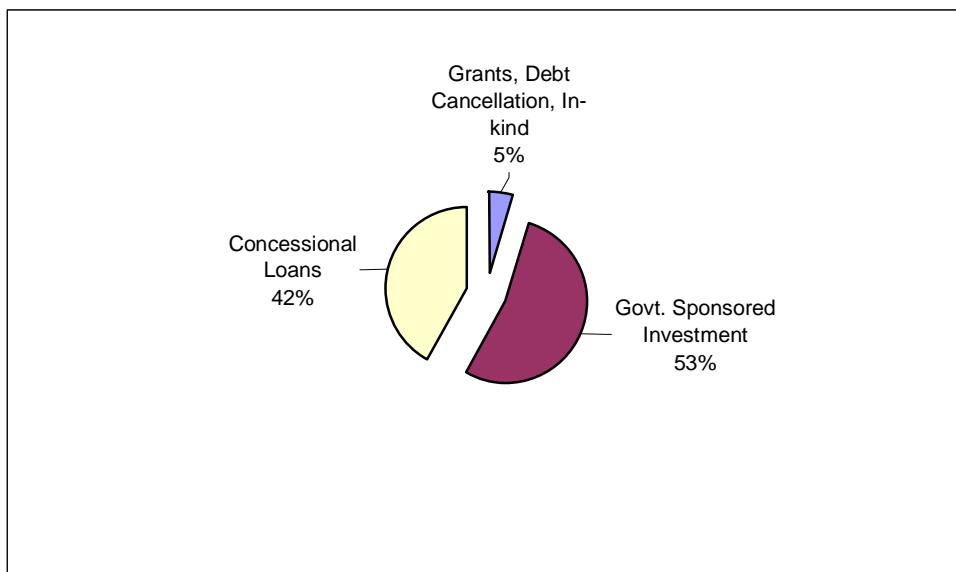
Table 2. Reported PRC Economic Assistance by Year, 2002-2007
(U.S. dollars in millions)

Year	Economic Assistance
2002	51
2003	1,482
2004	10,485
2005	10,106
2006	27,518
2007	25,098

Source: NYU Wagner School, 2008.

Notes: Annual amounts represent announced or pledged rather than actual economic assistance.

Figure 2. Reported PRC Economic Assistance by Funding Source, 2002-2007



Source: NYU Wagner School, 2008.

Notes: Annual amounts represent announced or pledged rather than actual economic assistance.

Table 3. Reported PRC Economic Assistance by Funding Source and Region, 2002-2007
 (U.S. dollars in millions)

	Africa	Latin America	Southeast Asia
Govt.-sponsored investment	8,042	24,389	7,429
Concessional loan	22,379	1,950	7,114
Grant	1,851	421	231
Debt cancellation	850	0	60
In-kind aid	21	1	0

Source: NYU Wagner School, 2008.

Notes: Annual amounts represent announced or pledged rather than actual economic assistance.

Table 4. Reported PRC Economic Assistance by Year and Region, 2002-2007
 (U.S. dollars in millions)

	Africa	Latin America	Southeast Asia
2002	10	4	36
2003	838	1	644
2004	2,292	7,000	1,193
2005	2,953	2,931	4,221
2006	9,088	16,425	2,004
2007	17,962	401	6,735

Source: NYU Wagner School, 2008.

Notes: Annual amounts represent announced or pledged rather than actual economic assistance.

Table 5. Reported PRC Economic Assistance by Type and Region, 2002-2007
 (U.S. dollars in millions)

	Africa	Latin America	Southeast Asia
Natural resources extraction/production	9,432	18,585	4,788
Infrastructure/public works	17,865	7,535	6,438
Not specified/other	5,024	608	2,276
Humanitarian	802	32	159
Military	4	0	170
Technical assistance	10	1	3

Source: NYU Wagner School, 2008.

Notes: Annual amounts represent announced or pledged rather than actual economic assistance.

Regional Highlights

Africa

In the past several years, China's economic assistance to countries in Africa has grown dramatically. During the 1970s and 1980s, China provided aid to the region in the form of infrastructure projects, public works, technical and public health assistance, and scholarships to study in China. Its motivations were largely diplomatic: to forge friendships among "non-aligned" nations and to compete with Taiwan (the Republic of China) for recognition. Only four of 48 Sub-Saharan African countries (Burkina Faso, Sao Tome, Gambia, and Swaziland) still maintain official relations with Taiwan. In 2007, China reportedly offered Malawi "aid and investment" worth \$6 billion in major economic sectors. In January 2008, Malawi switched diplomatic relations to the PRC. However, in 2008, China reportedly promised Malawi only \$287 million.¹⁶ While traditional types of PRC foreign assistance remain staples of Chinese engagement in the region, many of them now complement much larger development projects that directly serve China's economic interests.¹⁷

Estimates of China's foreign aid, development financing, and other economic activities in Africa give rise to varying sums. Some reports of China's annual aid to the continent suggest a range of \$1-2.7 billion.¹⁸ The World Bank referred to PRC "infrastructure financing" in Africa (funding for roads, railways, and power projects) worth \$7 billion in 2006.¹⁹ In 2007, the China Exim Bank stated that it had extended concessional loans to Africa with a total outstanding balance of approximately \$8-9 billion, while the China Development Bank reportedly set up a \$5 billion China-Africa Development Fund to finance infrastructure, industrial, and agricultural projects.²⁰ The Wagner School research team found that PRC economic assistance and state-sponsored investment projects in Africa reported during the 2002-2007 period amounted to several billion dollars annually (\$6.6 billion on average). These activities included financing, debt cancellations, grants, technical assistance, and state-sponsored investments. However, as previously stated, these totals may be inflated or represent the high end of a possible range of estimates.

The following totals from OECD countries provide an indication of ODA levels to Africa. They are not meant to be directly compared to estimates of Chinese assistance to the region, which are based upon different definitions. U.S. assistance to Sub-Saharan Africa, the second-largest regional recipient of U.S. foreign assistance after the Near East and the largest recipient of U.S.

¹⁶ Pilirani Semu-Banda, "NGO Keeping an Eye on Malawi's New Best Friend, China," Inter Press Service News Agency, May 26, 2008, <http://allafrica.com/>; Mabvuto Banda, "Malawi Leader Says China to Give \$287 Mln in Aid," *Reuters News*, April 4, 2008.

¹⁷ For further discussion of Chinese influence in Africa, see Congressional Research Service, "China's Foreign Policy and 'Soft Power' in South America, Asia, and Africa: A Study Prepared for the Committee on Foreign Relations, United States Senate," April 2008, section by Nicolas Cook.

¹⁸ Deborah Brautigam, "China's Africa Aid," The German Marshall Fund of the United States, April 2008; Jian-Ye Wang, "What Drives China's Growing Role in Africa," IMF Working Paper, October 2007; Joshua Kurlantzick, "Beijing's Safari," Carnegie Endowment for International Peace *Policy Outlook*, November 2008.

¹⁹ Nick Tattersall, "Chinese Firm to Build \$1 Bln Road in Nigeria Oil Hub," *Reuters News*, July 13, 2008; China National Bureau of Statistics.

²⁰ Penny Davies, "China and the End of Poverty in Africa," August 2007; Tom Miller, "U.S. \$5 B Fund to Make First Forays into Africa," *South China Morning Post*, January 8, 2009.

development assistance, totaled an estimated \$5.2 billion in 2008 and \$4.7 billion in 2007.²¹ The United States, the United Kingdom, and France are the largest bilateral donors of ODA to Africa, having provided \$5.8 billion, \$5.4 billion, and \$5.1 billion, respectively, in assistance in 2006.²² OECD countries reportedly pledged a total of \$5 billion in ODA for infrastructure projects in Sub-Saharan Africa in 2006.²³

Estimates of PRC direct investment in Africa range from under \$500 million to roughly \$1 billion annually. Historically, Europe (United Kingdom, France, and Germany), Japan, and the United States have been the principal sources of FDI on the continent. In 2006, the United States reportedly invested \$1.5 billion in Africa out of a total of \$36 billion in global FDI received by the region that year.²⁴ Some studies indicate that India has more cumulative investment in Africa (\$1.8 billion in 2004) than China (\$1.3 billion in 2005) and is a major source of infrastructure financing.²⁵ According to some estimates, in 2005, Chinese FDI flows to Africa totaled \$392 million or 3% of PRC global outward investment.²⁶ Other studies report that China had \$2.6 billion in cumulative FDI and over \$0.5 billion in annual investment in Africa in 2006. Higher estimates include figures of nearly \$1 billion in PRC annual direct investment in Africa from 2000 to 2006.²⁷

China has exerted growing influence as a trading partner. As part of its integrated approach, China's diplomatic outreach to the region is accompanied by aid, investment, and trade. China is Africa's third largest trading partner after the European Union (EU) and the United States.²⁸ PRC-Africa trade reportedly was worth \$106.6 billion in 2008, compared to U.S.-Africa trade of \$142 billion.²⁹

China's economic assistance and related investments in Africa are largely driven by its objective of securing access to oil and minerals for its growing economy. African oil reportedly accounts for 80% of China's trade in the region and about one-third of its oil imports.³⁰ Nearly 70% of PRC infrastructure financing on the continent reportedly is concentrated in Angola, Nigeria, Ethiopia, and Sudan, all of which have major oil fields.³¹ Angola, the Democratic Republic of

²¹ Congressional Budget Justification for Foreign Operations, FY2008.

²² Organization for Economic Co-operation and Development, *OECD and Africa*, March 2008.

²³ "Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa," The World Bank, No. 5 (2008); China National Bureau of Statistics.

²⁴ Hany Besada, Yang Wang, and John Whalley, "China's Growing Economic Presence in Africa," *Policy Brief*, The Centre for International Governance Innovation, No. 6 (October 2008); CRS Report RL34620, *Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World*, op. cit., section by Dick Nanto (data excludes Egypt).

²⁵ "U.S.-African Trade Profile," U.S. Department of Commerce, International Trade Administration (2008); Harry G. Broadman, "China and India Go to Africa," *Free Republic*, March 16, 2008.

²⁶ Leonard K. Cheng and Zihui Ma, "China's Outward FDI: Past and Future," July 2007; Wang, "What Drives China's Growing Role in Africa," op. cit.; Mauro De Lorenzo, "China and Africa: A New Scramble?" *American Enterprise Institute*, April 6, 2007.

²⁷ Wang, "What Drives China's Growing Role in Africa," op. cit.

²⁸ Jian-Ye Wang and Abdoulaye Bio-Tchane, "Africa's Burgeoning Ties with China," *Finance and Development*, International Monetary Fund, <http://www.imf.org/external/pubs/ft/fandd/2008/03/wang.htm>.

²⁹ World Trade Atlas.

³⁰ Building Bridges, op. cit.; "Africa Accounts For 30 Percent Of China's Oil Imports: Official," *People's Daily Online*, <http://english.peopledaily.com.cn>, October 19, 2006.

³¹ "Building Bridges," op. cit.

Congo (DRC), and Sudan pay for much of their assistance or loans from China with oil.³² However, Europe and the United States remain the largest buyers of African petroleum (33% and 36% of African oil exports, respectively).³³ Estimates of China's share of the African oil market range from 10%-16%, although the PRC reportedly plays a larger role in the continent's minerals markets.³⁴ (See **Table 6**.)

China's economic assistance to Africa is dominated by concessional loans and export credits provided through the Ministry of Commerce and Eximbank. PRC loans to Africa, which reportedly grew by 35% annually between 2001 and 2005, have been used chiefly to finance infrastructure projects in over 35 African countries (mainly hydropower and transportation).³⁵ (See **Table 7**.) The Wagner team compiled a list of PRC economic assistance and related investment projects or offers in Africa reported during the 2002-2007 period. The combined values amounted to \$33 billion.³⁶ In dollar terms, 54% was related to infrastructure and other public works projects, 28.5% to the extraction or production of natural resources, and 2.5% to humanitarian activities, technical assistance, and military assistance (15% was unspecified). In many cases, especially when the recipient country has poor credit, loans are to be repaid in kind (oil or commodities). In the case of an investment agreement between Congo and China purportedly worth \$9 billion, PRC companies would invest in mining projects and aid in the construction of infrastructure and educational facilities in exchange for rights over copper and cobalt deposits.³⁷ Examples of PRC development and humanitarian aid in Africa include the construction of schools and hospitals, medical training and equipment, agricultural technical assistance, food aid, and disaster assistance.

³² Stephanie Hanson, "China, Africa, and Oil," *Council on Foreign Relations Backgrounder*, June 6, 2008.

³³ Zong He, "Some Responses to the 'China Threat in Africa,'" *China Daily*, November 7, 2007.

³⁴ "Building Bridges," op. cit.

³⁵ "Building Bridges," op. cit.; Brautigam, op. cit.; World Bank, "Press Release: New Financiers are Narrowing Africa's Infrastructure Deficit," July 10, 2008.

³⁶ This aggregate number may include some double counting of aid that involved multiple projects or spanned several years. The figure is not based upon a precise definition of aid and does not represent an exact aid total.

³⁷ Franz Wild, "China Has No Plans to Alter \$9 Billion in Congolese Deal," *Bloomberg.com*, June 2, 2009.

Table 6. Selected African Countries with Large Reported PRC Loans, Assistance, and Related Investment Projects, 2002-2007

Country	Main Exports to China	Pledged Assistance, Loans, Credit Lines, and Investments	Major Types of Financing (as Reported)	Major Types of Projects Financed (as Reported)
Angola ^{a b c}	oil	\$7.4 billion	loans, interest-free loans, credit lines	infrastructure (railways)
Congo (DRC) ^{a b c}	oil, minerals	\$5 billion	loans	infrastructure, mining
Sudan ^{a b c}	oil	\$4.2 billion	investment, loans, grants	oil refining; infrastructure, hydropower, humanitarian
Gabon ^d	oil, minerals	\$3 billion	investment, grants	iron ore mining, infrastructure, port facilities, hydropower
Mozambique	wood, ores	\$2.4 billion	debt cancellation, concessional loans, grants	dam construction, infrastructure, national stadium
Equatorial Guinea ^{b c}	oil	\$2 billion	concessional loans, credit lines	not specified
Ethiopia	oil drilling rights	\$2 billion (includes 2008 aid of \$150 million)	loans, grants, investment	infrastructure, telecommunications, public buildings, hydropower, light industry
Nigeria ^{a b}	oil	\$1.6 billion	debt cancellation, investment, grants	offshore oil development, infrastructure (railways), medical training

Source: NYU Wagner School, 2008.

- a. Major African trading partner of China.
- b. Loan payments in oil.
- c. Major African oil supplier of China.
- d. Loan payments in minerals.

Table 7. Selected Major PRC Loans, Assistance, and Related Investment Projects in Africa

Amount	Funding (Year)	Project Type(s)	Country
\$5 billion	loan (2007)	transportation infrastructure	Congo (DRC)
\$4 billion	investment (2007)	oil production	Sudan
\$3 billion	investment (2006)	port, railway, hydropower, mining (iron)	Gabon
\$2.5 billion	loan (credit line) (2007)	unspecified	Angola
\$2.3 billion	loan (2006)	hydropower (dam)	Mozambique
\$2 billion	loan (credit line) (2006)	unspecified	Equatorial Guinea
\$2 billion	loan (credit line) (2004)	unspecified	Angola

Source: NYU Wagner School, 2008.

Latin America

China's growing engagement with Latin America and the Caribbean (the Western Hemisphere) lacks the deep historical ties of its relations with Southeast Asia and legacy of its cold war friendships in Africa. China's growing interest in the region appears to be principally linked to its objective of gaining broader access to natural resources and agricultural commodities, such as oil, ores, and soybeans. Beijing also aims to fully isolate Taiwan—12 Latin American and Caribbean nations still maintain diplomatic relations with Taiwan—and bolster China's diplomatic presence in the region. China's offers to Costa Rica reportedly were directly linked to the Central American country's establishment of diplomatic relations with the PRC (and termination of relations with Taiwan) in 2007. Other goals include opening up alternative markets and opportunities for Chinese goods and investment. According to many analysts, however, Beijing acknowledges that the United States remains the dominant economic and political influence in the Western Hemisphere.³⁸

The PRC is not a major foreign investor in the region. The EU is the largest source of FDI in Latin America, with \$620 billion invested in the region in 2006, followed by the United States with \$350 billion. According to PRC official data, Latin America had received \$22 billion in cumulative PRC investment at the end of 2006, about 25% of PRC total overseas investment. However, the vast majority of PRC FDI in the region reportedly goes to off-shore financial havens such as the Cayman Islands and the Virgin Islands, to be reinvested in China (thereby taking advantage of tax breaks for "foreign companies"). When these destinations are excluded, only about \$1.9 billion remains.³⁹ According to some sources, in 2006, PRC direct investment

³⁸ Peter Brookes, "Russia, China, Move In on Latin America," Heritage Foundation, November 27, 2008; Cynthia A. Watson, "U.S. Responses to China's Growing Interests in Latin America: Dawning Recognition of a Changing Hemisphere," in *Enter the Dragon? China's Presence in Latin America*, Woodrow Wilson International Center for Scholars, February 2007. For further discussion of Chinese influence in Latin America and the Caribbean, see Congressional Research Service, "China's Foreign Policy and 'Soft Power' in South America, Asia, and Africa," op. cit., section by Mark P. Sullivan.

³⁹ Daniel P. Erikson, "The New Challenge: China and the Western Hemisphere," Testimony before the House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, June 11, 2008.

flows to the Western Hemisphere totaled roughly \$100 million, less than its outbound investment to Africa (\$500 million).⁴⁰ Conversely, Latin American companies have made sizable investments in China with \$20 billion in cumulative FDI.⁴¹

China's trade with Latin America grew tenfold between 2000 and 2007 and reached \$142 billion in 2008. China's total trade with the region is only about one-fifth that of the United States (\$664 billion in 2008), but is growing at a faster rate.⁴² The United States reportedly imports 12 times more oil from Venezuela than does China.⁴³ Nonetheless, China has become an important trading partner to major countries in the region, and is second only to the United States as an importer of commodities and goods from Latin America. China's largest trading partners in the region are Brazil, Mexico, Chile, Argentina, and Peru.⁴⁴

The Wagner students compiled a list of PRC economic assistance and related investment projects or offers in the Western Hemisphere reported during the 2002-2007 period. The combined values amounted to \$26.7 billion.⁴⁵ Over two-thirds of these activities were in natural resource sectors, while 28% were related to infrastructure and public works, 1% involved humanitarian activities and technical assistance, and 2% was unspecified. In the past several years, Chinese humanitarian assistance has included infrastructure repair in Costa Rica, hospitals in Cuba, funding to the Bolivian Red Cross for mudslide victims, and help to people affected by an earthquake in Peru and flood in Uruguay. In 2008, China joined the Inter American Development Bank and committed \$350 million for public and private sector projects.⁴⁶ The emphasis on natural resources implies a strongly commercial nature to China's economic activities in Latin America, less oriented toward infrastructure development than China's involvement in Africa and Southeast Asia. (See **Table 8** and **Table 9**.)

In terms of official development assistance as measured by the OECD, the EU, the United States, and Japan are the largest providers in the region. U.S. foreign assistance to the Western Hemisphere totaled an estimated \$1.46 billion in 2008 and \$1.55 billion in 2007.⁴⁷

⁴⁰ CRS Report RL34620, *Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World*, op. cit., section by Dick Nanto.

⁴¹ Erikson, "The New Challenge," op. cit.

⁴² Frank Bajak, "Slowdown Doesn't Shrink China's LatAm Ambitions," *Associated Press*, November 17, 2008; World Trade Atlas.

⁴³ CRS Report RL34620, *Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World*, op. cit., section by Dick Nanto.

⁴⁴ He Li, "China's Growing Interest in Latin America," *The Journal of Strategic Studies*, Vol. 30, No. 4-5 (August-October 2007); Global Trade Atlas.

⁴⁵ This aggregate number may include some double counting of aid that involved multiple projects or spanned several years. The figure is not based upon a precise definition of aid and does not represent an exact aid total.

⁴⁶ "China Makes IDB Aid Commitment to Bolivia, Guyana, Haiti, Honduras," *BBC Monitoring Americas*, October 23, 2008.

⁴⁷ Congressional Budget Justification for Foreign Operations, FY2008.

Table 8. Selected Latin American Countries with Large Reported PRC Loans, Assistance, and Related Investment Projects, 2002-2007

Country	Main Exports to China	Pledged Assistance, Loans, Credit Lines, and Investments	Major Types of Financing (as Reported)	Major Types of Projects Financed (as Reported)
Venezuela	oil	\$16.4 billion	investment	oil, gas exploration and production; transportation; telecom; light industry
Brazil	iron ore, agricultural commodities, oil	\$8.2 billion	investment, loans	infrastructure (ports, aviation, rail)
Chile	minerals, ores	\$0.5 billion	investment	natural resources (copper)
Columbia	iron, oil	\$0.4 billion	investment	steel, oil exploration, mining
Costa Rica	electrical machinery	\$0.4 billion	grants, loans	humanitarian, infrastructure

Source: NYU Wagner School, 2008.

Table 9. Selected Major PRC Loans, Assistance, and Related Investment Projects in Latin America

Amount	Funding (Year)	Project Type(s)	Country
\$9 billion	investment (2006)	infrastructure (railways), telecom, mining, agriculture	Venezuela
\$7 billion	investment (2004)	infrastructure (port, railways, aviation), steel	Brazil
\$5 billion	investment (2006)	energy	Venezuela

Source: NYU Wagner School, 2008.

Southeast Asia

China has become an important source of infrastructure financing in Southeast Asia. While China is not counted as a major regional provider of ODA as measured by the OECD, some reports and observations suggest that the PRC is one of the largest sources of economic assistance in Southeast Asia. Although access to natural resources plays a prominent role in China's engagement in the region, strategic objectives likely influence China's activities in Southeast Asia to a greater extent than they do in Africa and Latin America. Many of China's economic activities in the region appear to provide relatively greater long-term diplomatic benefits and comparatively few short-term economic benefits.

China has a large economic presence in Southeast Asia, owing in part to its proximity and historical ties to the region. Southeast Asia's largest sources of FDI in 2006 (net inflow) were the EU (\$13.3 billion), Japan (\$10.8 billion), the United States (\$3.8 billion), South Korea (\$1

billion), and China (\$900 million).⁴⁸ Japan, the EU, China, and the United States are the largest trading partners in the region. In 2008, China's trade with the Association of Southeast Asian Nations (ASEAN) countries, at \$230 billion, was larger than its trade with Africa (\$106 billion) and Latin America (\$142 billion).⁴⁹

China and the least developed countries of mainland Southeast Asia are becoming increasingly integrated economically, although each of these countries has also sought to hedge against the PRC's rising influence. China is considered the "primary supplier of economic and military assistance" to Burma (Myanmar), Cambodia, and Laos and provides them with an "implicit security guarantee," according to some analysts.⁵⁰ In recent years, PRC government entities have financed many infrastructure, energy-related (especially hydropower), agricultural, and other high profile development projects in these countries, which also rely upon Chinese construction materials, equipment, technical expertise, and labor. There are some indications that Chinese assistance in this part of the region is diversifying, including support for counter-trafficking in persons and counter-narcotics efforts, programs involving Chinese youth volunteers (Laos), elections (Cambodia), and historical preservation (Cambodia). The PRC also has financed railway construction, hydropower development, and ship building facilities in Vietnam.⁵¹

In the past few years, China has become a major financer and investor in infrastructure, energy, agriculture, and mining in the Philippines and supplier of preferential loans to Indonesia.⁵² According to one source, in 2006, China was the third largest source of bilateral development assistance to the Philippines after Japan and the United Kingdom.⁵³ The Philippines reportedly is the largest recipient of PRC loans in Southeast Asia, which totaled \$2 billion in 2007, of which about half has been disbursed.⁵⁴ One of the largest PRC-funded projects in the country is the \$1 billion North Rail line.⁵⁵ In January 2008, the Indonesian state electricity company signed an agreement with China's Eximbank to borrow \$615 million to build coal-fired plants.⁵⁶

The Wagner School team compiled a list of PRC economic assistance and related investment projects or offers in Southeast Asia reported during the 2002-2007 period. The combined values amounted to \$14.8 billion, largely consisting of PRC loans for and investments in infrastructure and natural resource development projects.⁵⁷ (See **Table 10** and **Table 11**.) Of this amount, 43%

⁴⁸ ASEAN Foreign Direct Investment Database, August 2007.

⁴⁹ ASEAN; World Trade Atlas; "China, ASEAN become 4th-Largest Trade Partners," *Xinhua*, March 1, 2008.

⁵⁰ Catherin E. Dalpino, "Consequences of a Growing China," *Statement before the Senate Committee on Foreign Relations Subcommittee on East Asian and Pacific Affairs*, June 7, 2005; Heritage Foundation, "Southeast Asia's Forgotten Tier: Burma, Cambodia and Laos," July 26, 2007; Marvin C. Ott, "Southeast Asian Security Challenges: America's Response? *Strategic Forum*, October 1, 2006.

⁵¹ For further information, see CRS Report RL34620, *Comparing Global Influence: China's and U.S. Diplomacy, Foreign Aid, Trade, and Investment in the Developing World*, op. cit., section by Bruce Vaughn, Thomas Lum, and Wayne Morrison.

⁵² Joshua Kurlantzick, "China's Charm Offensive in Southeast Asia," *Current History*, Vol. 105, no. 692 (September 2006).

⁵³ Michelle Remo, "RP Should Look to China for its Infra Funding Needs," *Philippine Daily Inquirer*, March 9, 2008.

⁵⁴ Katrice R. Jalbuena, "Ties with PRC, Now Most Important to RP, Also Involves Security Matters," *Manila Times*, June 29, 2008.

⁵⁵ Walter Lohman, "Off the Rails in the Philippines," Heritage Foundation, Web Memo no. 1856, March 14, 2008; Darwin G. Amojelar, "Chinese Loans to RP Rising," *The Manila Times*, December 3, 2007.

⁵⁶ "Indonesia's PLN, China Bank Sign \$615 Mln Loan Deal," *Reuters*, January 30, 2008.

⁵⁷ This aggregate number may include some double counting of aid that involved multiple projects or spanned several (continued...)

was channeled toward infrastructure and public works projects; 32% to natural resource extraction or development; 3% to military, humanitarian, and technical assistance activities; and 22% for purposes not specified.

In terms of official development assistance as measured by the OECD, Japan remains the largest bilateral aid donor in Southeast Asia, providing \$2 billion in 2006.⁵⁸ The United States funded an estimated \$517 million in aid programs in Southeast Asian countries in 2008.⁵⁹ U.S. foreign aid for several countries in the region increased significantly after 2001, including security assistance for the Philippines, health activities in Cambodia, and HIV/AIDS programs in Vietnam.

Table 10. Selected Southeast Asian Countries with Large Reported PRC Loans, Assistance, and Related Investment Projects, 2002-2007

Country	Main Exports to China	Pledged Assistance, Loans, Credit Lines, and Investments	Major Types of Financing (as Reported)	Major Types of Projects Financed (as Reported)
Philippines	ores, copper	\$5.4 billion	loans, grants	infrastructure (railways), mining, non-lethal military
Vietnam	oil, rubber, wood, ores	\$3.4 billion	loans, investment	infrastructure (power), shipyards, mining
Burma	wood, ores	\$3.1 billion	investment, loans	hydropower, nickel ore

Source: NYU Wagner School, 2008.

Table 11. Selected Major PRC Loans, Assistance, and Investment Projects in Southeast Asia

Amount	Funding (Year)	Project Type(s)	Country
\$2 billion	loan (2007)	infrastructure	Philippines
\$2 billion	investment (2006-2007)	infrastructure, hydropower, oil pipeline	Burma
\$1.6 billion	investment (2007)	mining	Vietnam
\$1 billion	loan (2005)	power plant	Vietnam

Source: NYU Wagner School, 2008.

(...continued)

years. The figure is not based upon a precise definition of aid and does not represent an exact aid total.

⁵⁸ Organization for Economic Cooperation and Development (OECD), <http://www.oecd.org/home/>.

⁵⁹ Congressional Budget Justification for Foreign Operations, FY2008; Japan's Official Development Assistance White Paper 2007.

Appendix. PRC Economic Assistance and State-Sponsored Investment Projects (2008)⁶⁰

**Table A-1. Selected PRC Economic Assistance and Investment Projects in 2008
(Announced or Begun): Africa**

Country	Type of Assistance or Investment	Funding Source	Description	Value in U.S. Dollars (b = billion m= million)
Angola	development	govt-sponsored investment	housing and related infrastructure	\$3.5 b
Congo (DRC)	infrastructure/public works	concessional loan	optical cable network	\$35 m
Congo (DRC)	infrastructure/public works; natural resources	govt-sponsored investment; concessional loan	transportation, mining sector	\$9 b
Ethiopia	infrastructure/public works	grant/donation	construction of African Union Hall	\$150 m
Ethiopia	infrastructure/public works	in-kind	vehicles and office equipment	not specified
Ethiopia	infrastructure; development	govt-sponsored investment	industrial park	\$713 m
Gabon	infrastructure/public works	concessional loan	hydroelectric dam	\$83 m
Kenya	infrastructure/public works	concessional loan	road construction	\$120 m
Liberia	infrastructure/public works	grant; in-kind	hospital and medical supplies	\$10 m
Madagascar	humanitarian; development	grant	medical aid team	not specified
Niger	natural resources	govt-sponsored investment	oil drilling, and refining	\$5 b
Nigeria	infrastructure/public works	govt-sponsored investment	road construction	\$1 b
Nigeria	infrastructure/public works	govt-sponsored investment	power plant	\$2.4 b
Rwanda	infrastructure/public works	grant	hospitals	\$1.5 m
Sierra Leone	infrastructure/public works	concessional loan	telecommunications network	\$20 m

⁶⁰ Compiled by Hannah Fischer, Julissa Gomez-Granger, and Anne Leland, Information Research Specialists, Knowledge Services Group, Congressional Research Service.

Country	Type of Assistance or Investment	Funding Source	Description	Value in U.S. Dollars (b = billion m= million)
Sudan	humanitarian	grant; in-kind	de-mining training, mine sweeping equipment	not specified
Sudan	humanitarian	grant; in-kind	housing shelters, health equipment	\$11 m
Uganda	military	grant; in-kind	military training, trucks and equipment	not specified
Uganda	development	grant	upgrade health centers	\$15 m
Uganda	infrastructure/public works	grant/donation	government office complex	\$20 m
Zambia	infrastructure/public works	govt-sponsored investment; concessional loan	power station expansion	\$400 m
Zambia	infrastructure/public works	grant/donation	sports stadium	\$65 m

Source: Various international news reports.

**Table A-2. Selected PRC Economic Assistance and Investment Projects in 2008
(Announced or Begun): Latin America**

Country	Type of Assistance or Investment	Funding Source	Description	Value in U.S. Dollars (b = billion m = million)
Brazil	natural resources	concessional loan	oil exploration	\$10 b
Chile	infrastructure/public works; natural resources	concessional loan (joint credit lines)	ports, shipping, mining	\$100 m
Costa Rica	infrastructure/public works; natural resources	grant/donation	stadium, oil refinery	\$130 m
Cuba	humanitarian	concessional loan	hurricane relief—repair of hospitals	\$70 m
Grenada	infrastructure/public works	concessional loan	tourist marina	\$83 m
Venezuela	infrastructure/public works; development; natural resources	concessional loan	infrastructure, electricity, health, and education	\$4 b (to be paid back in oil)

Source: Various international news reports.

**Table A-3. Selected PRC Economic Assistance and Investment Projects in 2008
(Announced or Begun): Southeast Asia**

Country	Type of Assistance or Investment	Funding Source	Description	Value in U.S. Dollars (b = billion m = million)
Cambodia	infrastructure/public works	grant; concessional loan	road construction	\$ 215 m
Laos/Thailand	infrastructure/public works	govt-sponsored investment	construction of China-Laos-Thailand railroad	\$3 b
Myanmar (Burma)	natural resources	govt-sponsored investment	nickel mining	not specified (profit sharing arrangement)
Myanmar (Burma)	natural resources	govt-sponsored investment	two oil and gas pipelines	\$350 m
Indonesia	infrastructure/public works	concessional loan	power plants	\$615 m

Source: Various international news reports.

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